

TOP SECRET

20 August 1958

CENTRAL INTELLIGENCE BULLETIN



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I. THE COMMUNIST BLOC

Large-Scale Soviet Deliveries to Egypt

A fleet of 25 Soviet ships is due to deliver "full equipment for many factories" to the port of Alexandria shortly, according to a bloc press report. The shipment is described as "one of the greatest operations in the history of the port," and wharves at the harbor are being cleared to receive the cargoes.

The equipment is to be used in establishing industrial enterprises contracted for under the Soviet-Egyptian Economic and Technical Cooperation Agreement which was signed in Moscow on 29 January 1958. Moscow and Cairo now have concluded contracts for most of the 65 projects to be carried out by the Soviet Union under its \$175,000,000 credit to Egypt. The Soviet program involves primarily assistance in developing Egyptian metallurgical, mining, and petroleum industries, but it also provides for enterprises in the chemical, food, and textile fields.

Widespread publicity for these deliveries may be designed to offset the impact of President Eisenhower's proposals for Middle East regional economic development set forth at the special session of the UN General Assembly. Moscow has followed the line of Gromyko's remarks that the proposals "require careful and suitable consideration," but must not be allowed to "divert" attention from the immediate issue of Western troop withdrawals from Lebanon and Jordan.

Cairo announced last month that about 150 Soviet experts will be employed on projects under the Soviet aid program; 70 of them were expected to arrive in July. These specialists are in addition to the more than 300 bloc technicians now engaged in Egypt on economic projects outside the aid agreement. Facilities to train Egyptian personnel are already being established by the USSR, in accordance with the January aid agreement.

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Geneva Technical Talks Nearing Completion

The Soviet and Western delegations to the Geneva conference on detecting nuclear tests have reached agreement on the two major issues--the number of the control posts needed and the necessity to supplement this system with mobile inspection teams. A formal agreement will probably be signed by Thursday in Geneva, and the recommendations forwarded to the respective governments.

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Moscow will probably move quickly to accept the Geneva conference recommendations, anticipating that this will give it a tactical advantage in its campaign to halt nuclear tests. The USSR probably believes that it can gain strong public support for its claim that the success of the Geneva conference binds the Western powers to stop tests despite Washington's prior disclaimers of such a commitment.

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III. THE WEST

Pressure Mounting for Revision of Venezuelan Petroleum Policy

Political pressure is mounting in Venezuela, the world's leading exporter and second-ranking producer of oil, for revision of the prevailing 50-50 profit split between the government and the foreign oil companies. The Communist-penetrated Federation of Oil Workers, one of the country's most powerful labor organizations, passed resolutions at its August convention calling for a minimum 75-percent government share in profits, general revision of the 1956-57 oil concessions for which recipient companies paid about \$700,000,000 in royalties, and the establishment of a competing national oil industry. The major parties and the press have almost unanimously endorsed changes in oil policy similar to those suggested by the federation.

The caretaker governing junta has announced that it will honor existing oil agreements during its tenure, scheduled to end next April. Nevertheless, nationalistic public opinion, Venezuelan resentment of US oil import restrictions, and the debts resulting from the financial obligations inherited from the deposed Perez regime may force the interim administration to lay the groundwork for negotiating changes in the oil contracts. The influence of Middle East developments on future Venezuelan policy is suggested by the caretaker government's acceptance of an invitation to attend the Arab League Petroleum Conference in Cairo in November.

Private foreign investment in the Venezuelan petroleum industry, prior to payments for the new concessions in 1956-57, was an estimated \$3.3 billion.

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